

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 14, 2006

In Reply Refer To:  
Northern Natural Gas Company  
Docket No. RP07-70-000

Northern Natural Gas Company  
1111 South 103rd Street  
Omaha, NE 68124-1000

Attention: Mary Kay Miller  
Vice President, Regulatory and Government Affairs

Reference: Withdrawal Limitations on Non-Creditworthy Interruptible Shippers

Dear Ms. Miller:

1. On November 17, 2006, Northern Natural Gas Company (Northern) filed Second Revised Sheet No. 285A to its FERC Gas Tariff, Fifth Revised Volume No. 1, pursuant to Part 154 of the regulations, to clarify that, in the event an interruptible storage shipper under Rate Schedules IDD<sup>1</sup> or PDD<sup>2</sup> becomes non-creditworthy, Northern may limit the IDD or PDD shipper's incremental withdrawal nominations that would create or increase a loaned gas balance. Northern requests an effective date of December 18, 2006. As discussed below, we accept Northern's proposed tariff sheet, effective December 18, 2006, subject to conditions.

2. Northern proposes to revise its creditworthy tariff provisions under section 46 of its General Terms and Conditions, which sets forth the timing requirements for Northern's receipt of security and the provision for suspension of service when the security from non-creditworthy shippers lapses. Under these provisions, shippers that become non-creditworthy must, in order to continue service, provide collateral equal to one month of service within 5 days and have 30 days to provide collateral equal to three

---

<sup>1</sup> Interruptible Deferred Delivery Service.

<sup>2</sup> Preferred Deferred Delivery Service.

months of service. Northern proposes to add a new provision stating: “provided, however, notwithstanding the time periods set forth herein, Northern may limit a non-creditworthy PDD or IDD Shipper's withdrawal nominations that would create or increase any loaned gas balance.”

3. Northern states that section 46 currently allows Northern to suspend a non-creditworthy shipper's contract in the event that the shipper exceeds its credit limit and does not provide adequate security within the allowable timeframe. However, Northern states that its tariff is not clear when the non-creditworthy interruptible shipper borrows gas from Northern during the period allowed for a shipper to provide the necessary collateral. Northern states that the instant filing clarifies the tariff by limiting the IDD or PDD shipper's incremental withdrawal nominations that would create or increase a loaned gas balance in the event the shipper becomes non-creditworthy. Northern notes that, under the proposed tariff language, it will not suspend storage service, as the shipper can continue making injection nominations that would decrease a loaned gas balance, or can inject volumes prior to withdrawing those volumes. Also, Northern states that its proposal does not limit the storage customer from withdrawing gas held in its account.

4. Northern claims that its proposal provides interruptible storage shippers who become non-creditworthy, a way to continue to use their interruptible storage agreement for the storage of positive inventories, while at the same time not allowing such shipper to create a loan balance or to continue to increase a loaned gas balance. Northern states that the proposal protects Northern and its customers from the exposure resulting from a non-creditworthy interruptible storage shipper increasing its loan balance during the time limits for the shipper to arrange to provide adequate security by giving Northern the ability to limit withdrawal nominations immediately upon the determination that a shipper is non-creditworthy. According to Northern, the instant filing serves to clarify its ability to prevent an increase in the loaned gas balance while the shipper arranges for additional security or while the shipper injects gas into storage prior to withdrawing gas.

5. Notice of this filing was published in the *Federal Register*, 71 *Fed. Reg.* 69,105 (2006), with interventions, comments and protests due on or before November 29, 2006. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. No protests or comments were filed.

6. The Commission accepts Northern's proposed change, subject to the condition that Northern provide clarification of what security the shipper is required to post in order to be able to continue to borrow gas from Northern. As Northern recognizes, it cannot suspend or terminate a shipper's ability to use a service without providing the shipper an

opportunity to post collateral.<sup>3</sup> Northern states that it proposes to restrict a non-creditworthy shipper from borrowing additional gas under the park and loan service only during the interim period while it is waiting for the non-creditworthy shipper to provide collateral. While it is reasonable for Northern to limit a shipper's ability to borrow further gas until the required collateral is posted, it is not clear from Northern's tariff the amount of collateral a non-creditworthy shipper taking park and loan service is required to post before being permitted to use the loan portion of its service. Accordingly, the Commission will accept Northern's filing, subject to the condition that Northern file within 30 days of the date of this order to clarify the collateral requirements applicable to non-creditworthy park and loan shippers, and the specific timeframes and procedures for a non-creditworthy IDD or PDD shipper to regain its creditworthy status.

7. The Commission accepts Northern's proposed tariff sheet, effective December 18, 2006, subject to Northern's filing, within 30 days of the date this order issues, revised tariff sheets providing the collateral requirements applicable to its IDD and PDD services as discussed above.

By direction of the Commission.

Magalie R. Salas,  
Secretary.

cc: All Parties

---

<sup>3</sup> See Policy on Creditworthiness for Interstate Natural Gas Pipelines and Order Withdrawing Rulemaking Procedure, FERC Stats. & Regs. [Regulations Preambles] ¶31,191 at P 28 (2006).